

**Warren R. Stumpe, P.E.**

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**STATEMENT TO  
ASSEMBLY COMMITTEE ON URBAN & LOCAL  
AFFAIRS IN SUPPORT OF ASSEMBLY BILL 420.**

My name is Warren Stumpe and I am the Chairperson of the Ozaukee County Library Commission and I reside in Mequon.. I am testifying in support of AB 420 as a necessary addition to Chapter 43, Libraries, by adding a new section providing for an alternate method for a libraried community to exempt themselves from the county library tax.

The county library tax is nominally assessed against county property owners that reside in communities that are not part of any library district. The funds collected are used to reimburse those public libraries which provide both lending and non-lending library services to non-libraried area residents. This is a fair arrangement which has worked well over the past years.

The problem, that this legislation addresses is that Chapter 43, Libraries - Section 43.64(2)(b) provides the calculation whereby libraried communities can be exempted from the county library tax. The calculation is based upon the equalized property values of the community. In brief, the county calculates the reimbursement due and divides it by the equalized value of the non-libraried area to determine a tax rate per \$1000. To remain exempt from this tax, a libraried community must fund its library at a minimum of the tax rate times the community's equalized property value. That seemed to work in the 70's and 80's but started to ship water starting in the late 1990's and 2000's when the housing boom began to inflate equalized property values due to market forces. Elected officials in libraried communities and at the county began to question the legitimacy of using property values in determining minimum library operational funding. We asked what correlation does property values have with adequate library funding and determined the answer was - NONE!

The diagram illustrates a sequence of points and lines, likely representing a path or a series of transformations. The top part shows a horizontal line with points labeled  $x, y, z, w, v, u, t, s, r, q, p, o, n, m, l, k, j, i, h, g, f, e, d, c, b, a$ . Below this, a series of points are connected by lines, forming a path that zig-zags between two horizontal levels. The points are labeled with letters and subscripts, such as  $x_1, y_1, z_1, w_1, v_1, u_1, t_1, s_1, r_1, q_1, p_1, o_1, n_1, m_1, l_1, k_1, j_1, i_1, h_1, g_1, f_1, e_1, d_1, c_1, b_1, a_1$ . The diagram is enclosed in a rectangular frame.

As a veteran of the MMSD sewer wars of the 90's, the correlation between property values and the deep tunnel capital charges had far more correlation than property values have with library funding.

As this point in time, the City of Mequon and the Towns of Cedarburg and Grafton are on the bubble for losing their library tax exemption with the City of Cedarburg and the Village of Grafton not far behind – all because of the rapid growth of their property values. Let me use Mequon as the case study. In the last ten years Mequon's equalized property values have increased 86.5%. Of course, some of that increase was due to new construction but most was due to market forces increasing existing property values. My own condominium, which I purchased in 1987, has appreciated about 3 times my purchase price. Ozaukee County is no longer the "sticks" but a desirable bedroom area for Milwaukee workers. In the same ten year period, Mequon's population growth was 16.9%. If you had to select a metric for library funding wouldn't you select population growth and not property values? In that same ten year period, Mequon increased their operational funding of their library by 53.4% – three times their population growth rate. You would have thought that this increased operational funding of 53.4% was more than adequate for Mequon to retain their county library tax exemption. Well, you would have been wrong. The 86.5% increase in equalized property values overwhelmed the 53.4% increase in operational funding. So Mequon, with the approval of the County's Corporation Counsel, added their capital debt service write-off for the expansion of the library to their operational funding to meet the threshold. The theory was that if the county was using their library capital expense write-off to determine the exemption threshold it was right and proper for a librated community to use their library capital expense to meet the threshold – or what's good for the goose is good for the gander! But things are changing! When Senate Bill 273 became law, it removed county library capital expenses from the threshold equation, but doesn't debar a community from using it to meet the threshold.

Mequon will pay off its library bond issue in 4 years and will be faced with a dilemma. They are faced with two choices. One is to increase the operational funding to the library by some \$300,000 to meet the exemption threshold -- funds the library cannot justify as the library is already ranked as the number one library in Ozaukee County – or two, accept the fact that Mequon property owners will have to



pay a share of the county library tax. Whether it's the former or the latter, Mequon property tax payers are either going to be burdened with additional property taxes or do without city services for an equal amount. With the legislature mandating property tax caps & maybe TABOR, Mequon is debarred from raising property taxes to pay for the additional library generated charges and is left with the alternate to cut services, like eliminating the Police or Fire Departments or eliminating road repair. That solution, I fear, will not only make Mequon citizens sullen but downright mutinous. So now we have the "Law of Unintended Consequences" in action.

But wait – if you thought it couldn't get worse – it can. If Mequon had found itself non-exempt from the county library tax for 2006 (it didn't as this is just an example) and decided it was more palatable to share the county library tax (\$287,000) of some \$227,000 as its share, rather than fund the library another \$270,000, it would find itself in the unenviable position of being double taxed in 2008 for library service – once for their own library and now a share of library service rendered to non-librariated residents. Now the property tax exemption formula would have had to be recalculated, adding Mequon's equalized property value to the denominator. That would produce a new 2006 county library tax rate of \$0.057/1000 with Mequon picking up some \$227,000 of the \$287,000 library tax and the non-librariated areas only \$60,000. (Without Mequon in the picture, the non-librariated areas would have been assessed the full \$287,000 under a tax rate of \$ 0.27/1000). But now in the following year of 2007, the exemption threshold is calculated using the previous year's county library tax rate of \$ 0.057/1000 and Mequon's exemption threshold becomes only \$228,000, which is less than a third of Mequon's normal funding of its library's operational expenses. So in 2007, Mequon would find itself exempt from the county library tax and the library tax rate would return to about \$0.27/1000. In 2008 Mequon again becomes non-exempt at the \$ 0.27/1000 rate followed by being exempt in 2009, followed by being non-exempt in 2010 and thereafter a yo-yo situation through the years – one year exempt, the next year non-exempt..

The Legislature and the Governor have the ability to fix all this nonsense by enacting AB 420 which provides an alternate exemption formula that is both fair and reasonable. To qualify for its use, a librariated community would have to pass two hurdles. First, a county board has to approve its usage and second, the



community has to provide its library with operational funding with a value of not less than the average of the previous three years. This provides a check and balance to insure that a community's library continues to be adequately funded.

The history of this legislation goes back to 2006 when a similar bill was introduced as AB-1022 and a hearing held by the Committee. I testified for its passage at that time and I understand it was approved by this Committee but did not complete the 2004-2006 legislative cycle because the legislature adjourned before full action could be taken. At that time the DPI reviewed the legislation and suggested some changes which were incorporated. I understand that the DPI has reviewed AB-420 and has concurred in its language.

I now urge you to support AB-420 here in committee as written ; support its passage in the full Assembly and the Senate; and its final signature by the Governor. As I stated previously, it is a fair and reasonable solution to the potential double tax scenario that insures adequate funding of our state public libraries.

Thank you,

A handwritten signature in black ink, appearing to read "Warren R. Stumpe", with a stylized flourish at the end.

Warren R. Stumpe

Chairperson, Ozaukee County Library Commission  
Mequon, WI

September 11, 2007

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## State of Wisconsin Department of Public Instruction

Elizabeth Burmaster, State Superintendent

September 11, 2007

Representative Mark Gottlieb, Chair  
Assembly Committee on Urban and Local Affairs  
State Capitol  
P.O. Box 8952  
Madison, WI 53708

Dear Representative Gottlieb:

While the Department of Public Instruction (DPI) takes no position on Assembly Bill 420, we would like to offer some background information on this bill.

In Wisconsin, local public library service is primarily supported by municipal and county property taxes. In eight counties, the county has assumed the primary role for providing public library service to county residents. In all other counties, the county library tax reimburses municipal (or joint municipal) public libraries for at least part of the cost of library service provided to county residents who do not live in a library community. Under current law [Section 43.64(2)] municipalities with libraries that support their library at a levy rate equal to or above the county library levy rate qualify for exemption from the county library tax. Almost all Wisconsin municipalities with a public library easily qualify for exemption from the county tax.

With the current public library tax and funding structure, the county library levy rate, in effect, becomes the uniform minimum tax that is paid for library service in the county. In most instances, the county library tax is used entirely to reimburse libraries for service provided to county residents without their own library. By allowing communities with libraries to exempt from this county tax, library communities avoid having to pay the costs for both their own local public library and the costs for library service provided to county residents without a local library.

Under current law, all property taxpayers in a county support public library service at least at the county library tax rate. AB 420 would change this so that property taxpayers in some library communities could support their library at a levy rate lower than the county library levy rate.

Assembly Bill 420 would create an alternate method of qualifying for exemption from the county library tax. Under AB 420, even a municipality that supports its library at a levy rate lower than the county library levy rate could qualify for exemption, so long as the municipality supports its library at its average support level for the previous three years. Three year average maintenance of effort (MOE) support is already a requirement for a library's membership in a public library system. Use of the alternative (MOE) method for qualifying for exemption would require approval by the county board.

Representative Mark Gottlieb

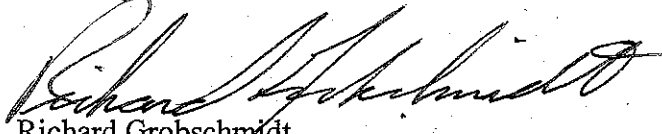
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AB 420 is an amended version of last session's AB 1022. The DPI raised concerns at your committee's hearing last year on AB 1022 that if the bill were to become law some municipalities now without a library could establish a new library and support it at a level substantially lower than their current county library tax support, and claim exemption from the county library tax. We testified that the bill should be changed to ensure this would not occur. AB 420 makes this change by requiring that a municipality qualify for exemption under the current method for three years before it can qualify for exemption under the alternative (MOE) method.

Thank you for the opportunity to provide this information to your committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard Grobschmidt", with a stylized flourish at the end.

Richard Grobschmidt

Assistant State Superintendent

Division for Libraries, Technology, and Community Learning

RG:mc

cc: Members, Assembly Committee on Urban and Local Affairs  
Representative Jim Ott  
Lisa Strand, Executive Director, Wisconsin Library Association